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Discount Store News®

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Direct Imports Gain, Feed Margin-Hungry Chains

Nationwide DSN Report

A switch to an imported line of shoe roller skates by the Zodys division of Hartfield-Zodys last year generated more than a quarter of a million dollars in additional gross margin dollars.

As inflation continues to put pressure on retailers' selling costs, more and more discount chains are opting for the higher margins available on direct imports—especially in categories where brand identification is less important.

In many cases, discounters are able to stretch the margins by 10 or 15 percentage points on hard lines and some basic apparel items by starting import programs, or improving those already in operation. Imports, largely on a direct basis, now comprise approximately 10% of total inventory, on average, in discount stores. That figure could double over the next few years, according to many discounters interviewed by *Discount Store News*.

If discounters can get an additional 10 percentage points of gross margin on 10% of their sales—assuming that the 10% imported goods produce 10% of the volume—they are getting an overall increase of one point on the chainwide gross margin.

Boost that import share of volume to 20%, and you're talking about an additional two points of gross margin on your volume. Those prospects have many discounters re-examining their direct import policies.

The chains making the greatest advances in import programs are among the industry leaders, including Wal-Mart, Zodys and Target.

Wal-Mart, for example, which began its import program more than five years ago, now sends 12 buyers overseas annually for periods up to six weeks. Earlier this year the chain opened its first overseas office (in Hong Kong), staffed by two full-time executives, to serve as a base for overseas operations.

But even smaller chains such as Jamesway—which abandoned an experimental import program nine years ago because of its high cost and the chain's then low volume—are now getting into the act. (A team of four Jamesway buyers will go to Hong Kong, Taiwan, Korea and Singapore in April for apparel.)

"There's a tremendous amount of pressure these days to increase gross margins. One way is to increase imports and decrease the role of importers," explained a Zodys executive.

At Zodys as well as at most other chains, the key areas for the introduction of imports are those in which there is no dominant brand.

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Better gross margin dollar productivity comes from the 56% margins of this 684-sq.-ft. card department on the main aisle at Roses' new store in Pulaski, Va. H&BA (36% GM) was moved. *(DSN photo)*

Latest Roses Spotlights High-Margin Categories

By Doug Stinson

PULASKI, Va.—A strong emphasis on boosting gross margin dollar productivity per square foot, and virtual elimination of the promotional tables that were so predominant in the past, make the latest Roses store here the most advanced.

High-margin categories including fashion rtw, men's wear, greeting cards and wrap have been moved to dominant positions on the main traffic aisles at the entrance to the store. Health and beauty aids were moved into the left front quadrant of the 40,500-sq.-ft. store (along with, and adjacent to, consumables) to make room for the men's wear and greeting card departments. Fashion rtw is outside the race track to the right of the entrance, across from sportswear, which has frontage on both the racetrack and the midway aisle.

While H&BA's 36% margins at Roses are not low for the industry, the 56% margins in greeting cards and near-50%

(Continued on page 8)

DSN to Run Profile of Wal-Mart

NEW YORK—Wal-Mart, retailing's youngest billionaire, will be the subject of a full-issue *Discount Store News* profile in the Dec. 14, 1981, edition.

After cracking the billion-dollar barrier in the fiscal year that ended in January 1980, and lifting that volume to $1.6 billion in the year just ended, Wal-Mart's future may not be as crystal-clear as it has seemed in the past.

Wal-Mart departments have the same merchandise as any other department in any other store in the industry. What does the chain do differently in each department to make the whole so successful?

DSN will be making direct comparisons of the merchandise assortment and price point spreads in all major categories; analysis of the presentation and store-level execution will answer these questions:

Wal-Mart's operational divisions and policies are not substantially different from any chain's operations—or are they?

Does Wal-Mart have the secret formula for the most efficient distribution and replenishment of its merchandise? Do Wal-Mart's advertising, site selection, inventory control, construction or other operational procedures give it the edge?

DSN editors will be making an unprecedented effort to obtain all the inside information, all the insights and the perspectives on this chain's operations, to provide you with the full Wal-Mart story: how Sam Walton and his people do it, and what makes standard retail practices more successful there than at most other chains.

Is Wal-Mart near—or has it arrived—at the limits of growth through new stores? Will Sam

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TSS Ups Arevalo to Key Post

BROOKLYN, N.Y.—Times Square Stores has promoted Campo Arevalo from vice president of its Puerto Rico stores to the new position of vice president and general merchandise administrator, responsible for overall merchandising of the 23-store chain.

Arevalo's promotion is one of a number of executive changes at the company:

Gary Schulman was named divisional merchandise manager for brown and white goods, seasonal and leisure items. He continues as vp, general sales manager.

Paul Chasanoff was designated dmm for occasional furniture, lighting, gifts, candy, luggage and plants.

Three new merchandisers were appointed: John Grieco for hardware; Stewart Weiner for paint and wall coverings, and Irving Fishman for occasional furniture.

Consumers Distributing Now Coordinator, Showroom Franchiser

EDISON, N.J.—In a search for new sources of revenue growth, Consumers Distributing has become a catalog coordinator and showroom franchiser. At presstime, the company expected to sign up "five or six" small, independent operators for its 1981-82 book.

The company, which will continue to run its own showrooms, has appointed Harold P. Schroer director of catalog sales, to head up the coordinating operation. He previously held a similar post with Progressive Buying Associates.

CD's move into coordinating, if successful, could become a major challenge to these coordinators and result in the consolidation of some of these smaller companies. CD's greater financial resources and direct operation of 99 showrooms in the United States, which will enable it to feed back current merchandising information to members, are seen as two key factors in attracting independent operators.

The company, which is owned by Consumers Distributing Ltd. (Canada), has showrooms in only two United States markets, the Greater New York and Greater San Francisco Areas.

CD is interested in becoming a coordinator because it would gain buying clout with manufacturers and income from sale of its book and its franchising of showrooms.

A CD executive told DSN that a number of independents had approached the company about using its catalog. The 340-page CD book is about the same size as the catalog they are using, he said, but it has 4,600 sku's while their books have 7,000 items.

"They want to hold down their inventory investment while still offering the consumer a big book. They want our book so that they could do more business from less sku's."

The independents, he added, were interested in CD because "we operate our own showrooms and select merchandise that sells because we have our own money invested in the goods."

The CD executive said the company will offer a full coordinator program that includes three different versions of its catalog, 14 flyers and its com-

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	DSI (Jan. 1941 100)			Per cent Change To Jan. 1981	
				From	
	Jan. '81	July '80	Jan. '80	July '80	Jan. '80
Piece Goods	376.5	366.1	335.0	+ 2.8	+ 12.4
Domestics and Draperies	438.7	437.1	406.0	+ 0.4	+ 8.1
Women's and Children's Shoes	515.0	500.8	486.5	+ 2.8	+ 5.9
Men's and Boys' Shoes	633.0	616.7	599.3	+ 2.6	+ 5.6
Infants' Wear	420.7	408.5	378.8	+ 3.0	+ 11.1
Women's Underwear	345.1	334.1	317.7	+ 3.3	+ 8.6
Women's and Girls' Hosiery	204.7	201.8	193.8	+ 1.4	+ 5.6
Women's and Girls' Accessories	386.8	383.2	374.7	+ 0.9	+ 3.2
Women's Outerwear and Girls' Wear	323.3	323.0	326.4	+ 0.1	− 0.9
Men's Clothing	416.7	404.6	406.8	+ 3.0	+ 2.4
Men's Furnishings	405.0	389.1	374.6	+ 4.1	+ 8.1
Boys' Clothing and Furnishings	387.7	380.5	365.1	+ 1.9	+ 6.2
Jewelry	711.5	688.3	605.4	+ 3.4	+ 17.5
Notions	407.1	406.0	393.2	+ 0.3	+ 3.5
Toilet Articles and Drugs	481.9	465.8	442.5	+ 3.5	+ 8.9
Furniture and Bedding	468.5	460.1	441.4	+ 1.8	+ 6.1
Floor Coverings	371.4	364.8	348.9	+ 1.8	+ 6.4
Housewares	647.0	620.2	590.3	+ 4.3	+ 9.6
Major Appliances	216.1	208.8	203.1	+ 3.5	+ 6.4
Radios and Television	117.5	115.8	115.1	+ 1.5	+ 2.1
Departments 1-15, soft goods	**412.9**	**405.2**	**390.1**	**+ 1.9**	**+ 5.8**
Departments 16-20, durables	**402.2**	**390.8**	**375.6**	**+ 2.9**	**+ 7.1**
Total DSI	**409.6**	**400.6**	**385.4**	**+ 2.2**	**+ 6.3**

Source: Bureau of Labor Statistics

Durables Lead DSI Price-Index Rise

WASHINGTON—The Department Store Inventory Price Index (DSI) has been released by the Bureau of Labor Statistics, showing a general rise (durable and soft goods combined) of 2.2% from last July's figure and 6.3% from a year ago.

The DSI, which is an index of prices in 20 major departments, was measured at 409.6, up from 400.6 in July 1980, and 385.4 in January 1980. (January 1941, the base for the DSI, is set at 100.)

Durables rose at a faster pace than soft goods, with a 7.1% gain over January 1980 compared to a 5.8% climb by soft goods. The soft goods DSI is now 412.9, up from 390.1 a year ago, and the durables DSI is 402.2, up from 375.6 a year ago.

The only decline registered came in women's outerwear and girls' wear, where the new DSI was 0.9% lower than a year ago. The steepest price rises were measured in piece goods, up 12.4% from a year ago.

(The chart lists each department, the DSI in that category at its last three measurements, and the percentage change.)

Toy Mfrs.' Price Hikes, Averaging 12%, Threaten to Erode Department Margins

Nationwide DSN Report

Buyers at the Toy Fair reported that cost hikes averaging 12% were lifting price points on basic toy items beyond the level of consumer acceptance—over $10 on some basic board games—and threatening to erode department margins. Buyers are caught in the bind of choosing between lower volume levels or pared profit margins.

The lack of innovative product introductions didn't help matters. "It was like watching television in June, July and August," explained Lionel Gleichenhaus, vice president merchandising, at Jefferson. "All I saw were re-runs."

Mike Sadler, merchandise manager at Fishers Big Wheel, agreed. "Toy companies were just dusting off old molds to expand on the stronger basic toy categories, and we saw nothing that we felt would fly off the shelves this year."

Buyers used board games to illustrate the difficulties facing them as they approach the new selling year.

Board games were devoid of market excitement, buyers revealed, and were the victims of cost hikes that had some buyers convinced that heavy markdowns witnessed in the category this past Christmas are here to stay.

Monopoly, for instance, went up 7% to a $6.30 cost. "If we give Monopoly a normal markup of 35% to 40%, the game would sell around the $11 price point," explained Sadler. "We see very few board games selling over the $10 level. We'll have to be like everybody else, and give Monopoly away like we all did last year."

Fishers Big Wheel has chopped Risk and Life out of its selection already, a move linked to the cost increases that brought retails to around $13.

"If customers can buy electronic games, such as Football I and Baseball I at a $9.99 retail, why would they buy a piece of cardboard for over $10? Out of 12 pieces, we'll sell three or four at regular price, and the rest will be marked down to move them out of the store," said Sadler.

And as Gleichenhaus put it: "We saw Monopoly selling for $4.99 last year. We could buy Monopoly from our competitors for less than we could from the manufacturer."

In response to price hikes

(Continued on page 43)

2 Toy Makers Answer Criticisms

Two top toy manufacturers responded to buyers' criticisms:

Randy Barton, president of Parker Brothers:

"All price increases—averaging 12%—were cost-related increases tied to inflation. But the low-end of the cost hikes were in the staple products, such as board games like Monopoly. In terms of value to the consumer, Monopoly is one of the best games on the market today. When I joined the company 20 years ago, Monopoly retailed for $5, and was rarely discounted. This year, it is rare that the customer pays over $10 because of promotional activity.

"If you go out today to buy a hardcover book, you are not just paying for the materials used to make the book. Like a hardcover book, Monopoly is not just cardboard, it is an

(Continued on page 43)

Two Bows to Swell Hills' Buffalo Cluster

BUFFALO—Hills will open two more stores in the Greater Buffalo market this summer, including one unit which will get its footage from a scaled-down Naum Bros. catalog showroom.

A 120,000-sq.-ft. Naum in the Clarence Mall in suburban Amherst is being trimmed to 30,000 sq. ft. to fit the cataloger's standard format, and a 90,000-sq.-ft. Hills will open next door to the showroom.

The other Hills is going into a former 80,000-sq.-ft. Saxon Department Store in Niagara Falls in a renovated shopping center that will be called Hills Plaza. It will be the discounter's first store in that city.

The footage freed by Naum had been used primarily as a warehouse for the cataloger's three showrooms in the Greater Buffalo area. Naum will now service the showrooms from its Rochester distribution center.

The two new stores give the discounter four units in Buffalo and eight in the Greater Buffalo market covered by Buffalo TV.

The door-to-door competition with Naum adds another cataloger to the list of those that directly compete with the discounter: Best Products in Roanoke, Va., Service Merchandise in Nashville, and David Weiss in Pittsburgh.

In fact, there is little overlapping of goods. Hills' strength continues to be apparel merchandising while the cataloger merchandises only jewelry and hard lines.

A Hills executive said his chain meets the catalogers' prices for the highly identifiable name brand items in such categories as traffic appliances, photo, toys and sporting goods.

The discounter earlier this month opened an 80,000-sq.-ft. unit adjacent to the Century III mall in Pittsburgh in an area that already includes a Service Merchandise showroom.

Hills' move into the Clarence Mall this summer will position the discounter adjacent to the Eastern Hills Mall, one of three major regional shopping centers in the Greater Buffalo market.

The Hills openings in Buffalo and Pittsburgh will be followed in the fall with the unveiling of an 80,000-sq.-ft. store in Amherst, Ohio—the third unit in the Greater Lorian-Elyria market.

Jefferson/Ward merchandises microwave ovens in the salesclerk-serviced major appliance department. The goods, as in the Bordentown, N.J., store, are on an aisle across from housewares (foreground, not shown.) *(DSN photo)*

Microwave Ovens Boom; Discounters' Slice Thin

By Arthur Markowitz

Discount stores aren't having the same success as catalog showrooms in merchandising microwave ovens—despite the booming sales reported.

The Association of Home Appliance Manufacturers reported that manufacturer unit shipments of microwave ovens/ranges in 1980 were up 29.8%—the only appliance to show any growth—and forecasts shipments this year will show a 13.1% gain, highest of any appliance.

Discounters are getting a very small share of this growth, as evidenced by the one or two sku's carried by many chains, with some even eschewing the category except for a few models offered at key gift-giving periods.

K mart carries the largest name brand selection of any discounter, up to six skus, all made by Sharp. A company spokesman acknowledged to DSN at presstime that Litton units were being tested.

A K mart source explained that the Littons were being carried "to get a better name brand into the stores, as the Sharp brand isn't as well known." He added that K mart had used General Electric when the chain first started to carry microwave ovens, but discontinued the brand because GE's line wasn't as well known then as it is now.

Jefferson/Ward is one of the few other discounters to carry Litton, but the chain's microwave oven assortment of up to a dozen models features Ward private label units as the mainstay.

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In This Issue...

THE BIG PICTURE. Camera department buyers are looking forward to a good year, although the sales growth rate may be a bit slower than in 1980. See special photo section, pp. 7-19.

PLANE TALK. DSN's annual DIY Census section reveals that home improvement isn't producing the profits expected by many discounters. Pp. 20-30.

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Photo Show Section

Instant Cameras Star, But 110's May Pose a Serious Challenge

Instant cameras maintained their "star" status into 1981, but an increasing number of discounters are speculating that 110's may soon pose a serious challenge to the product's dominance.

Much of what happens depends on what 110 and instant cameras are introduced at the upcoming show in Miami, according to a cross-section of discounters.

But already chains such as West Virginia-based Heck's are reporting 30% of their volume is in 110 sales—just 10% behind instant sales—and buyers say a dramatic new introduction could tip the balance.

(Both 110's and instants are sold at or slightly above cost by most chains, but the 110's are expected to have the fringe benefit of spurring discounter's photo-finishing sales, which have margins of 25% to 40%.)

A key factor in whether the proportion of 110 sales surpasses instant camera sales, they said, depends on the public's response to the rapidly increasing price of instant film.

Executives with Polaroid said it is unlikely that sales of instants will be surpassed by pocket cameras, and that its One Stop was the industry's No. 1 seller last year in total units. The spokesman said there is no evidence of consumer resistance to increasing film prices and said last year was a record year for film purchases, with sales in the third quarter alone up 19% over the similar period in 1979.

Buyers for ALCO, Nichols, Jefferson and others warned, however, that with instant film price increases averaging 9% this year alone, consumer resistance is becoming an increasingly real possibility.

Concern over the price of instant film comes as the 110's are attracting renewed interest with features such as telephoto lenses and automatic electronic flashes that were once available only in high-end models, but are now being included on middle-range and low-end ones as well.

Caldor, for example, recently promoted a Keystone 110 pocket camera with a telephoto lens for $14.88. At Treasure Island, an off-brand pocket model with an electronic flash was being promoted at $17.99. Murphy's Mart was promoting an off-brand 110 with an electronic flash and telephoto lens for $18.88.

Explained a buyer for Wisconsin-based Prange-Way: "The year before last and 1980 were the years of the instant camera. Now we're finding a lot of people who are realizing that the 110's they bought two and three years ago have become obsolete."

Buyers for most of the chains surveyed said a dropoff in instant sales has not yet begun, and they reported sales increases for 1980 averaging better than 20%. Danners, for example, came in with a 20% increase. Figures for Nichols and Gee Bee were even greater, with both reporting 35% increases.

A buyer for Prange-Way said, however, that unit sales of instants dropped 30% in 1980 despite weekly promotions with "zero markup."

The buyer said pocket cameras—and in particular, middle-priced ones with telephotos and electronic flashes—rose in sales to counter the drop and are now only slightly behind instants in terms of total volume.

"For the first time I'm really getting resistance from the customer on the price of color film, and it looks like there's a tremendous growth period ahead for pocket cameras," the buyer said.

John Zurlo, a Jamesway buyer, said the chain's pocket camera sales are already even with those of instants, and may move ahead this year after several sku's of nonbranded 110's are added to the four sku's the chain already carries. Jamesway has six sku's of instant cameras.

The buyer said even if instant cameras lose out to pockets in terms of overall volume, they are nevertheless expected to remain strong sellers. He said the price of instant film will have to reach $8 or more—compared to the current $6.99 for a roll of 10 shots—before serious customer resistance develops.

Photo Dept. Sales Per Sq. Ft. Rise 6.6%

	1971	1975	1976	1977	1978	1979	1980	5-year change	10-year change	'80 vs. '79
Dept. Size (sq. ft.)	755	985	765	710	660	670	670	−31.9%	−13.5%	NC
Annual Turns	3.4	5.2	3.5	3.7	3.7	3.6	3.6	−30.7%	5.5%	NC
Volume Per Sq. Ft.	$186	$245	$337	$368	$419	$452	$482	96.7%	159.1%	6.6%
Initial Markup	22%	25%	23%	23%	23%	23%	23%	−8%	4.5%	NC
Gross Margin	21%	21%	15%	18%	17%	17%	17%	−19%	−19%	NC
Company Run	65%	85%	90%	91%	91%	91%	91%	9.2%	40%	NC

NC—no change *Source: DSN research*

Last year, discounters' photo department sales topped $2.5 billion—a 13.6% increase over the previous year. The figures indicate camera-related sales continue to be a growth area. The most substantial change since last year is the continuing increase in sales per square foot. In the last decade, the addition of more high-ticket goods has pushed the volume-per-square-foot figure up by 159.1%. The rise in the last year was 6.6%. Discounters are also continuing to get a better number of turns than they did a decade ago. The number peaked at 3.7 in 1978, but a downturn in 1979 appears to have stabilized and the number remained at 3.6 for the second consecutive year.

It's the most profitable, highest quality film you can sell. In every shape, every size. In bins, racks. On carded floor and register merchandisers. In film dispensers, large and small. In sale displays. In carded boxes or pre-packs!

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DIY Census Section

DISCOUNT STORE NEWS

MARCH 23, 1981

Chains Look to Faster-Turning, Lower-Priced Items For Growth

Profit Hopes Weaken For Building Materials, Lumber

Nationwide DSN Report

Home improvement is not turning out to be the profit producer discounters had hoped for.

At least two chains, T.G. & Y. and Bradlees, are getting out of the category, and most of the others in the lumber and building material end of the business are standing pat on their inventories and looking to faster-turning, lower-priced hardware, plumbing and electrical items for new growth.

The reason for the building material pullback is twofold: the economy and more stringent store productivity requirements. With inflation, more homeowners are finding their discretionary dollars going to everyday needs; thus they are postponing nonessential home fixups. For the chains, skyrocketing operating and borrowing costs are forcing them to back away from labor-intensive, space-consuming items that don't have the turns and/or the margins they need.

"The guy who goes to a home center is looking for goods for a complete job," said Rick Giordano, Fishers Big Wheel buyer. "When he comes in here he was generally looking for some other product and then decided to shop our home improvement department. As a result, if store sales were to decline 10%, sales in my department would follow accordingly."

Still, it's not all bad news.

Energy products are still strong sellers even in big-ticket categories like ceiling fans and fireplaces. Woodburning stoves lost a lot of ground this year as the market was flooded with knockoffs and consumers began buying from installers because of their concern about fire safety. So while Jefferson was considering the category, two chains, Click and Consolidated Sales in Kentucky, got out; Bradlees was reviewing the category for possible elimination. "Our customers keep adding things to their home to save energy and after awhile those savings are eroded," summed up the buyer at Consolidated Sales.

Decorative products, too, were attracting more attention from discounters—particularly in floor and wall tiles—self-selling home improvement items many buyers classify as an impulse purchase.

Not everyone is fleeing the category.

K mart rolled out a 10-store home center test late last year in Indianapolis (nine stores) and Detroit (one) which finally consolidated all of the stores' home improvement-related departments into a single, approximately 15,000-sq.-ft. department.

(Continued on page 29)

How DIY Section Plans Shape Up

Rank	Chain	No. DIY Depts. 2/1/81	Average Sq. Ft. of Depts.	New Depts. Planned by 1/31/82
1	K mart	1,030	4,400	60*
2	Murphy's Mart	65	2,500	12
3	Fisher's Big Wheel	64	800	7
4	Rink's	45	5,000	(a)
5	Fred Meyer	39	15,000	2
6	King's	47	6,500	(b)
7	FedMart	36	15,500	0
8	Payless NW	13	6,000	0
9	S. E. Nichols	31	20,000	2
10	Jamesway	26	5,000	4
11	Two Guys	22	7,000	0
12	Jefferson	51	900	17
13	Meijer's Thrifty Acres	19	11,000	0
14	Danners 3D	14	10,000	0
15	Consolidated Sales	8	11,000	0
16	Gee Bee	3	2,000	0
17	Modell's	11	5,000	0
18	Click	6	6,000	1
19	Howard Bros.	3	20,000	0

**DSN estimates. (a) Rink's was being acquired by Cook United at presstime. (b) Home improvement department expansion plans were being postponed until after the recently acquired Barkers chain was fully absorbed by King's.*

Home Center Test at K mart

K mart Home Centers: A 10-store, two-city test unveiled by the discounter last fall consolidated hardware, paint and building materials into one department. See story, p. 24.

(DSN photo)

Two Chains Abandon Home Improvement

T.G. & Y. Ending 4-Year Operation

OKLAHOMA CITY—T.G. & Y. is getting out of the home improvement business.

"We kind of got into the category half way with promotional lumber," said buyer Dan McCormick of the four-year period during which his chain operated as many as 130 of its builder supply centers, "but we never really went the whole route."

Of the bulkier, floor-space consuming building materials, little more than promotional 2x4's; paneling priced no higher than $5.97, and 4 ft. x 8 ft. sheets of plywood in ⅜-in. and ½-in. thickness will be maintained. "Anything more sophisticated than that, we'll avoid," McCormick said.

The pullback, the result of a chain commitment to improved sales floor productivity, follows on the heels of a similar decision to cut the number of tables in the fabric departments of the chain's largest stores to improve profit d. llar returns. (See **DSN**, March 9, 1981.)

In hardware, "We're looking for a minimum of $125 a square foot in sales in the builder's supply department," said McCormick. "Of course, there are categories within the department whose sales are more like $290 a square foot, but overall that's the kind of figure we're looking for and items like vanities don't produce the profit dollars we must have."

As a result, the chain is expanding its hardware assortment by 18% to 22%, McCormick estimated: "We're going to dramatically increase our offerings in paint, plumbing and electrical. Areas with broader, popular appeal."

In electrical, 40 to 45 new sku's were added, expanding a basics-only assortment. "We carry only a handful of items that would appeal to a contractor," McCormick said. "We're really geared strictly to the consumer." The same will be true of the expanded plumbing mix.

In paint, McCormick said the chain reworked the assortment in terms of color and facings. "When the average paint sale is 3.8 gallons and you only have two gallons on the shelf, you're defeating yourself."

The good, better, best mix remains basically the same with T.G. & Y.'s own brand as the promotional line priced at $5.86 for wall and $7.44 for house paint and in the middle- to upper-price range with $8.44 for latex wall and $10.47 for latex house paint. Dupont is the high end paint at $11.88 for wall and $12.88 for house.

In addition to vanities, the chain is dropping insulation, storm doors and windows, metal storage cabinets, "and moving out of standing power tools once and for all," according to McCormick.

Bradlees Shutters Its 17 Centers

BRAINTREE, Mass.—Bradlees has shuttered its 17 home improvement centers after deciding that the department was operated "contrary to the rest of its discount store business," according to Ray Peckham, divisional merchandise manager.

"We are a self-service operation, and the home improvement business demands a high level of personal sales help," Peckham explained. "There's no question that if we had more salespeople on the floor we would have done more business. But since we can't provide proper service, we weren't doing the business."

The chain has dropped its lumber and paneling selections, and those lines that naturally tied in with those two areas, such as ceiling tiles. Home decor and paint have been expanded into their own department, and positioned adjacent to the hardware department.

"Our goal is to build a program that can survive under the self-service guidelines," Peckham said. In line with that one rule of thumb, Bradlees has stocked name brand items that the customer can readily recognize, and which are presold.

The elimination of lumber and paneling has left inventory

(Continued on page 30)

Discount Store News

PMA®

PRODUCT MOVEMENT AUDIT

Mixes, Orders Are Tightened In Hardware

Tightening discounter inventory controls coupled with a typically slow January sales period were in evidence in the hardware Product Movement Audit supplied by Stem Distributing, a division of Cook United, Maple Heights, Ohio.

"Every conversation I've had with one of our customers has been about return on investment and inventory control," noted Ken Richards, director of marketing and national sales manager.

As a result, he continued, items that were once considered basics—particularly among the higher retail price-point goods—are becoming fringe items and being dropped.

A good example is in hand tools.

"A promotional line and a step-up line used to suffice. Today, with tools crossing that magic $10 price point at retail, discounters and Stem both want to fill that void with a line priced in between," Richards said.

When that void is filled, numbers will probably get trimmed in the step-up lines most discounters carry. At the same time Richards expects to see more year-round action in promotional hand tools—a phenomenon he hasn't seen in quite a while—not just in January Dollar Day Sales. In fact, Stem has just added an import tool program (Royal) to its current stock to capture more of that renewed consumer interest in promotional tools.

Some of the other trends reflected in the January PMA involved a slowdown in the number of Black & Decker power tools sold, an increase in Skil items' volume, and a strong performance by propane torches and related items.

"We showed a unit decline in the number of Black & Decker tools sold because of ad residue in the previous 30-day period. Many stores overbought in December so they cut off their orders in January."

On the plus side, Skil has cut prices on approximately 10 of its power tools. Stem expects that price cut to generate additional sales in the coming months.

The success of the propane torches and accessories was rooted in winter. The items are used to unfreeze pipes and they have become very strong seasonal sellers and ad items in the last several years, Richards noted.

Looking ahead, the distributor expects his discounter customers to buy conservatively through the end of the year.

"People are going to control their inventories better than they ever have before; they're also going to put a lot more effort into their advertising and merchandising plans." So while it won't be a bad year, it will be a cautious one.

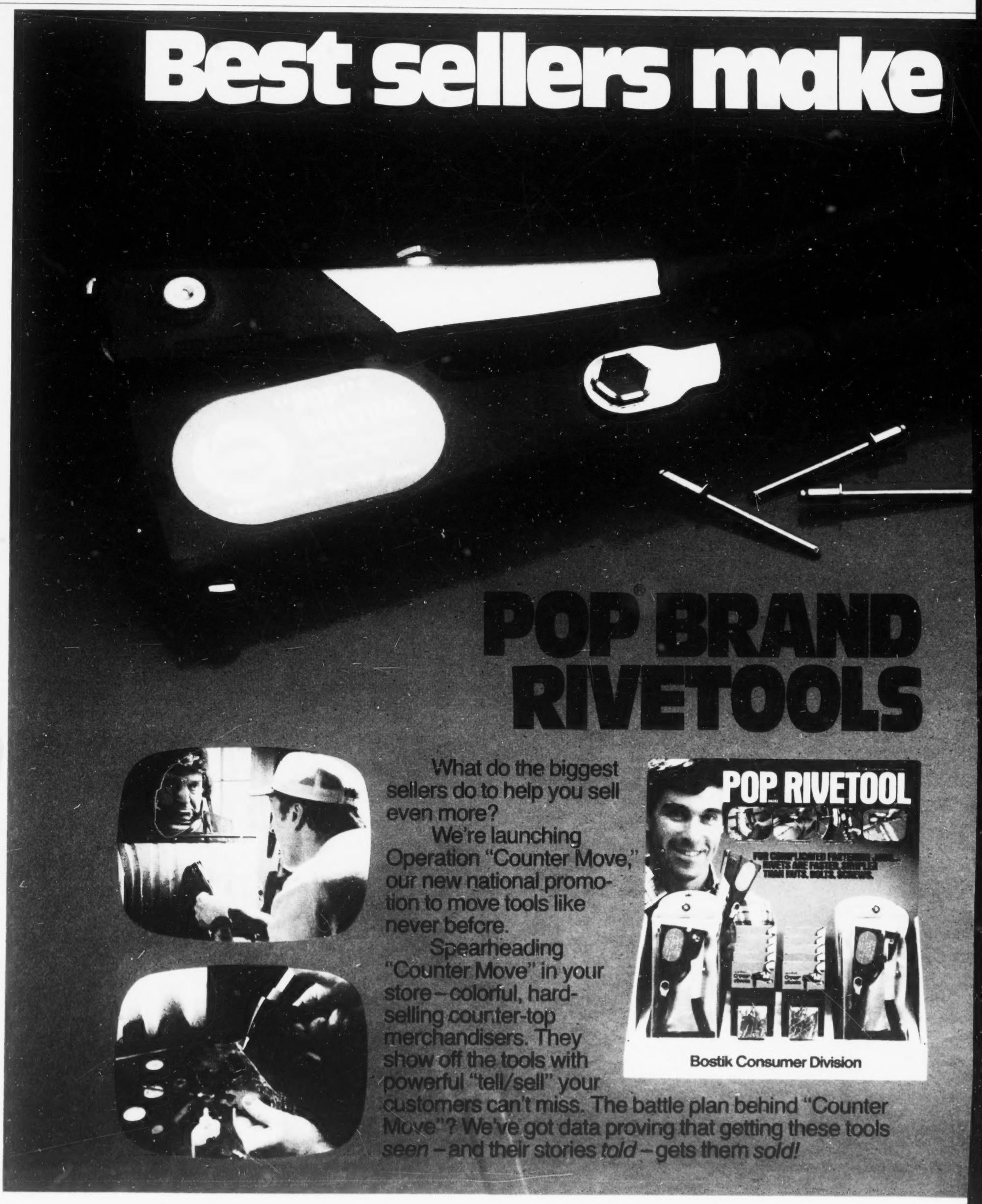
HARDWARE

Figures, which are for January, were supplied by Stem Distributing, a division of Cook United, Maple Heights, Ohio, and cover 600 stores, including 480 discount department stores. Average retail prices listed by the distributor reflect typical price points for discount clients.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	BLACK & DECKER			
1	71-055 Drill Guide	1,557	11.29	17,578.53
2	79-003 Workmate Single Height	322	47.13	15,175.86
3	79-020 Bench Top Workmate	255	37.87	9,658.13
4	79-001 Workmate 29" Dual Ht	87	95.29	8,290.23
5	7504 Jigsaw dbl/insul	607	13.33	8,091.31
6	7104 3/8 Drill dbl/insul	462	16.80	7,761.60
7	79-009 Workmate 27" Dual Ht	83	75.33	6,252.39
8	7190 3/8 V.S Drill Rev-lock	181	31.86	5,766.66
9	7600 Router 5/8 HP	185	30.33	5,611.05
10	7300 5½ Circ Saw	164	27.83	4,564.12
11	74-495 Sharp N Sand	160	23.88	3,820.80
12	7308 ¼ Circ Saw	104	36.43	3,788.72
13	7204 ½ Drill dbl/insul	89	34.18	3,042.02
14	7004 ¼ Drill dbl/insul	234	12.83	3,002.22
	TOOLS			
1	OX-2500 Bernz Tote Torch Kit	505	33.00	16,665.00
2	TX9 Bernz Fuel Cyl	5,844	2.47	14,434.68
3	UL100 Bernz Propane Blow Torch	1,374	9.43	12,956.82
4	JT25 Bernz Torch Kit Plastic Box	462	21.23	9,808.26
5	T50 Arrow Staple Gun Chrome	601	14.50	8,714.50
6	PL425 Stanley 25' Powerlok Tape	532	10.55	5,612.60
7	143 B C Natural 3" C Clamp	2,964	1.84	5,453.76
8	OX-9 Bernz Oxygen Cylinder	1,056	4.95	5,227.20
9	PL 320 Stanley 20' Powerlok Tape	512	9.12	4,669.44
10	SB 201-4 Screwball Driver w socket	376	12.32	4,632.32
11	PL-19 Waterloo 19" Box One Tray	438	9.23	4,042.74
12	420G Chanlck Plier 9½ Pump	596	6.56	3,909.76
13	E24A Estwing Sportsman Axe	238	16.11	3,834.18
14	JT21 Arrow Staple Gun	473	7.78	3,679.94
15	385-55-3 Ajax Home Rivet Tool	486	7.55	3,669.30

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	POWER TOOLS			
1	8200 PK Weller 100 40W Soldergun	380	18.65	7,087.00
2	PR19 Wen 3" belt sander dbl insul	75	45.75	3,431.25
3	16 L25 Lenk 25W Solder Gun	579	4.96	2,871.84
4	Oxwall 3000 Drill Press Stand	154	18.20	2,802.80
5	599 Skil 3/8 Var Rev Xtra Tool	45	61.96	2,788.20
6	SK600 Skokie Router Bit 6 pc set	148	16.01	2,369.48
7	203 USM Elec Glue Gun	302	7.74	2,337.48
8	2002 Skil 3/8 Cordless drill	52	41.36	2,150.72
9	593 Skil Sand Cat Sand	39	54.69	2,132.91
10	943 Wen 7" Sander Polisher	47	44.10	2,072.70
11	D550PK Weller 240 325W Soldergun	70	26.20	1,834.00
12	574 Skil 7¼ Circ Saw 13hsp	44	39.09	1,719.96
13	1150 Pro-Arc Welder Kt 115 vlt	17	98.58	1,675.86
14	534 Skil 6½" 1.1.2HP Circ Saw	30	54.69	1,640.70
	PLUMBING			
1	PC 3600 Flo Cast Iron pump pedestal	133	70.76	9,411.08
2	SC3000 Flo Cast iron Pump-Submers	68	105.70	7,187.60
3	B600 Manco Duct Tape 2" x 60 yd	1,107	4.65	5,147.55
4	FRD60 Manco Fire-Guard Duct Tape	1,152	4.10	4,723.20
5	560 U-Plm Toil Tank Repair Kit	660	5.18	3,418.80
6	760 U-Plm P-Trap 1¼ Bathroom	576	5.27	3,035.52
7	5102 Nasco Master Plumber Qt	2,292	1.25	2,865.00
8	88TM White Al Amer wood toilet seat	408	6.62	2,700.96
9	767 U-Plm J-Bend 1½ chrome	668	3.86	2,578.48
10	761 U-Plm P-Trap 1½ Kitchen	396	6.42	2,542.32
11	766 U-Plm J-Bend 1¼ chrome	624	3.47	2,165.28
12	L1400 Aqua Kitchen Fauct w spray	61	35.09	2,140.49
13	SM 3000 Flo Plast Pump submersbl	21	97.30	2,043.30

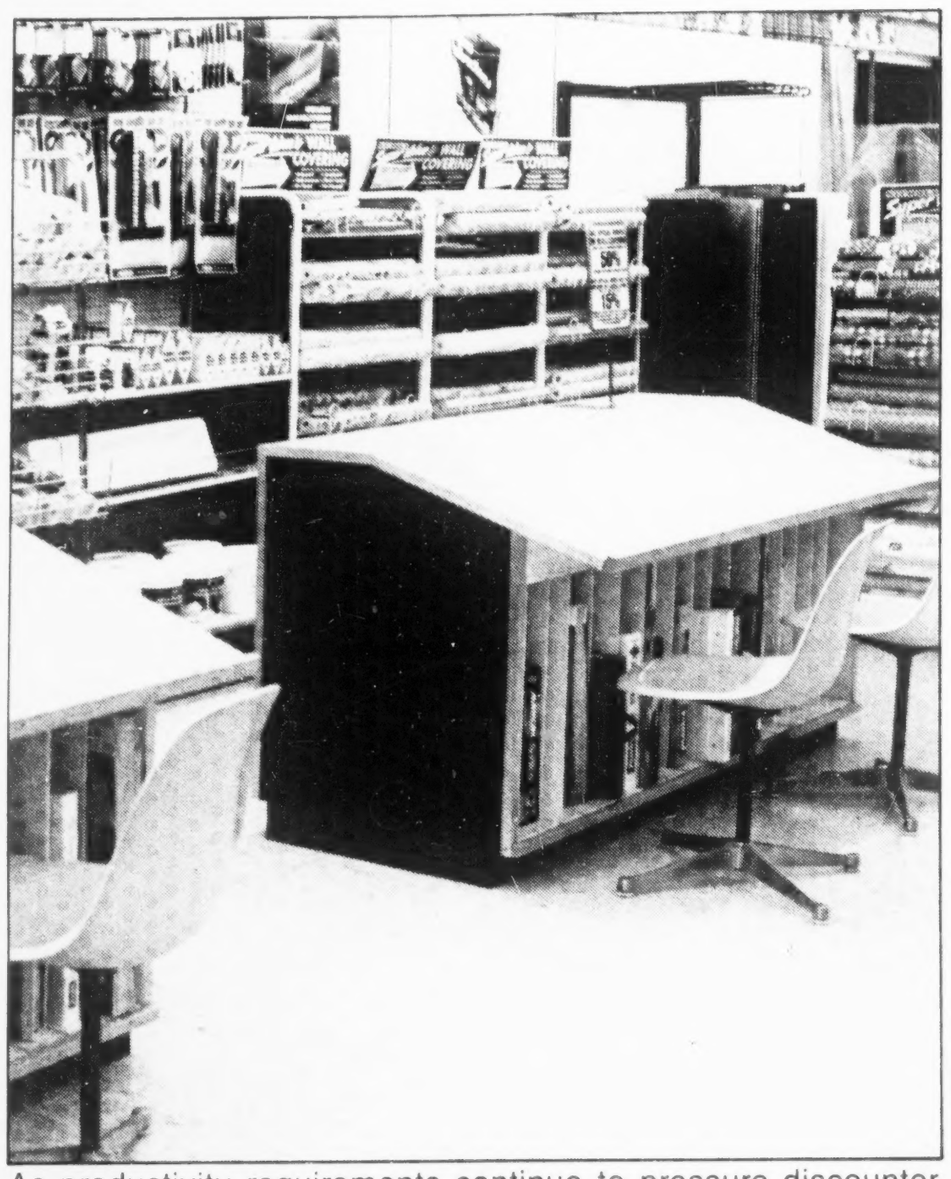
(Continued on page 29)


Best sellers make
POP® BRAND
RIVETOOLS
POP RIVETOOL
What do the biggest sellers do to help you sell even more?
We're launching Operation "Counter Move," our new national promotion to move tools like never before.
Spearheading "Counter Move" in your store – colorful, hard-selling counter-top merchandisers. They show off the tools with powerful "tell/sell" your customers can't miss. The battle plan behind "Counter Move"? We've got data proving that getting these tools *seen* – and their stories *told* – gets them *sold!*
Bostik Consumer Division

HARDWARE

(Continued from page 28)

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	ELECTRICAL			
1	OR600RC Lutron U L Rotary Dimmer	2,115	4.08	8,629.20
2	P220 Manco ¾ x 66 Vinyl Elec Tape	4,896	1.35	6,609.60
3	SL-1K Flor Shop Lit Comp 40W-48"	362	16.15	5,846.30
4	4484 D225 25 ft Tbllite Plas Guard	948	5.23	4,958.04
5	CFL-22 Con-Serv Flour Lite Scru-in	492	9.93	4,885.56
6	PA 15X Flour U Cab Fix w o outlet	592	7.07	4,185.44
7	T10-1141 RSHAW 24V Econ Heat Stat	453	8.12	3,678.36
8	DR600PS Lutr UL Dimr Push On Off	732	4.97	3,638.04
9	4170 151-6-8 1⅛ Clamp-on lite	604	4.67	2,820.68
10	WRW220 Flo Wrap Arn Fix 2-20W-24	98	27.02	2,647.96
11	WRW240 Flo Wrap Arn Fix 2-40W-48	85	28.73	2,442.05
12	U100 Alliance Tena-Rotor Automat	42	48.69	2,044.98
13	DR603PC Lut 3 Way Dmr Push On Off	254	7.84	1,991.36
14	XP150UL Thyrocon Phot-Cell Cockt	340	5.65	1,921.00
15	T40-1143 RSHW 24V DLX HT CL T-Stat	112	16.60	1,859.20
	HOME IMPROVEMENT			
1	702 Hoyne Clear Mirror Tile 12 pc	2,380	13.53	32,201.40
2	G2420 Garbage Bag HD 26 gal 20cn	8,976	2.25	20,196.00
3	730 Perfection Portable Heater UL	271	36.50	9,891.50
4	050 17000 Clear Vinyl Runnr 27" x 125	75	105.47	7,910.25
5	051 7200 Gold Vinyl Runner 27" x 125	57	105.47	6,011.79
6	310 Blk Natco Rub Matting 36" x 105	31	191.67	5,941.77
7	2' x4' x⅛" pegboard	4,400	1.26	5,544.00
8	X18 T Temp Prom Steel Snow Shovel	1,032	5.04	5,201.28
9	P850 Thermwell Poly sheet 8 x 50	432	8.83	3,814.56
10	P650 Thermwell Poly sheet 6 x 50	564	6.75	3,807.00
11	052 17300 Grn vinyl runner 27" x 125	33	105.47	3,480.51
12	P350 Thermwell Poly Sheet 3 x 50	888	3.81	3,383.28
13	6 ft wood Stepladder special	141	23.30	3,285.30
14	24 A T Temp silicone Alum Pusher	318	10.25	3,259.50
15	CI8T TT PVF Alum Snow Shovel	438	6.98	3,057.24



As productivity requirements continue to pressure discounter sales-per-square-foot requirements, decorative home improvement products like those at Nichols, Salisbury, Md., gain popularity and space. *(DSN photo)*

Profit Hopes

(Continued from page 20)

S. E. Nichols renovated and expanded its 28 home improvement centers—the largest in the industry at 18,000 sq. ft.—and has plans to open six more this year.

Fred Meyer underscored its commitment to the category with plans to open two new 15,000-sq.-ft. departments this year and to stage a giant DIY show in the Portland Coliseum. Fred Meyer management hopes the event will draw 50,000 DIY enthusiasts.

A Different Perspective

Other chains, like T.G. & Y., moved in the opposite direction and decided to eliminate builder supply departments. T.G. & Y. operated 130 at the beginning of the year and will drop builder supplies in favor of expanded hardware, plumbing, electrical and paint departments. It will continue to stock a sampling of promotional 2x4s, 4x8 sheets of plywood and paneling priced under $5.99.

The decision to redline the department was the result of stricter productivity demands: "We want an average of $125 a square foot in sales," buyer Dan McCormick said, explaining the chain's decision to stop carrying vanities, insulation, storm doors and windows and metal storage cabinets.

Bradlees, too, found that the sluggish sales and labor pains of running a home improvement center did not justify the space allocation, and made the decision to shift its emphasis to the home decor section, which it moved back to hardware.

King's, Murphy's Mart, Fishers Big Wheel, Consolidated Sales, Jefferson and Click continue to operate home improvement departments and all are either testing new products or finetuning their mixes. But at presstime, none had plans to dramatically alter the departments.

High-end Item

Murphy's Mart is testing vanities priced as high as $140 to $150 in one store with plans to move the item into 25% to 30% of its 65 home improvement departments if the results are favorable. The chain is also expanding its assortment of key plumbing items and looking at sheds and deck kits, reported buyer Mike McNeil, who described Murphy's DIY efforts as "not a home center but a store that carries basic DIY needs."

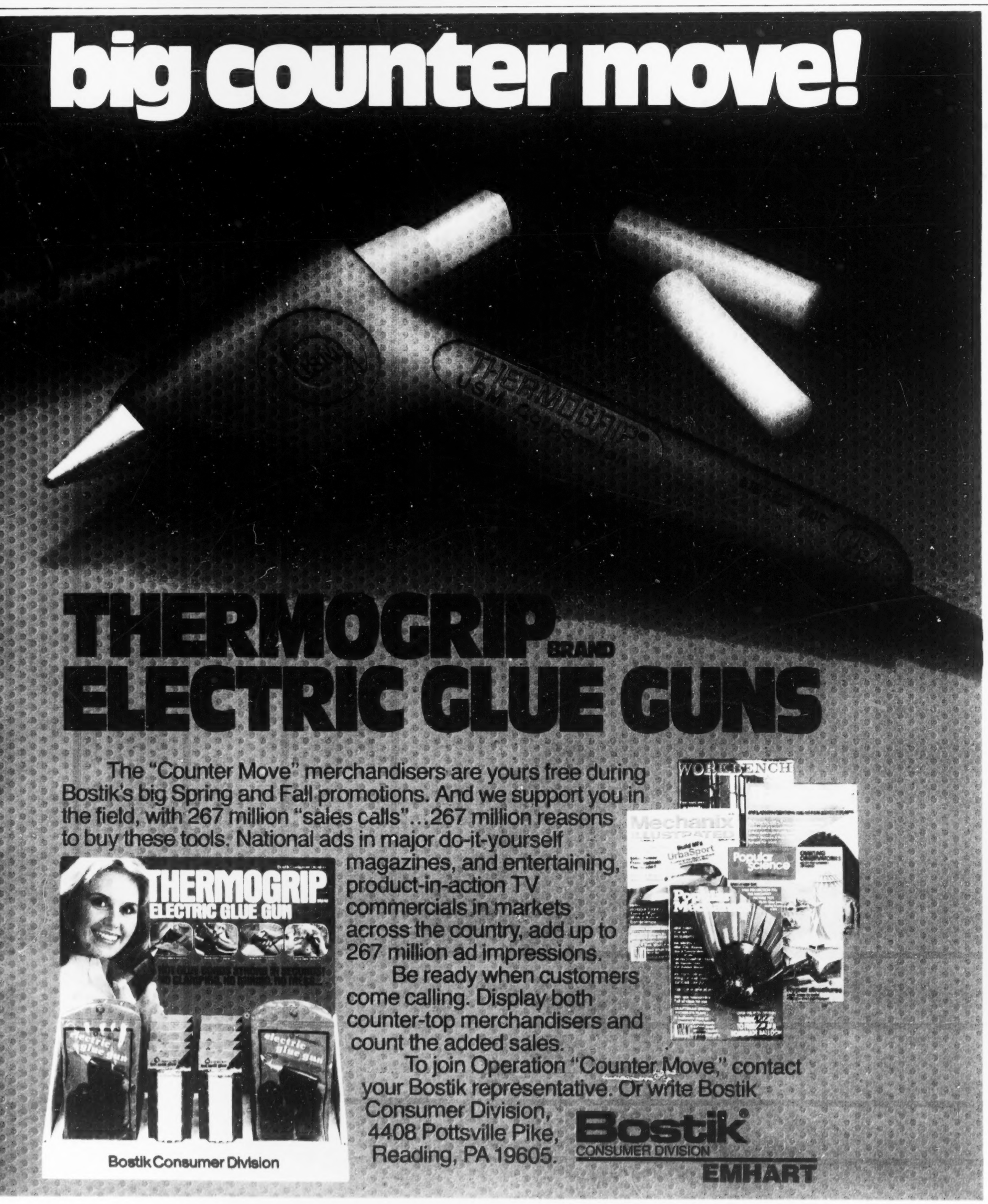
Decorative products such as self-stick floor and wall tiles, to add to the limited stock of floor and wall coverings now in stock, are under consideration at Jefferson. So is insulation. "We want to stock highly identifiable DIY products that take a minimal amount of work to sell," explained buyer Steve Danzig.

T.G. & Y. Will Anchor 2 New Shopping Centers

OKLAHOMA CITY—T.G. & Y. Family Center stores will anchor two new shopping centers to be developed in Louisiana and Mississippi.

A 50,000-sq.-ft. unit will anchor the Morgantown Plaza in Natchez, Miss. Other tenants of the 95,000-sq.-ft. shopping center will include Winn-Dixie, Eckerd Drugs and a variety of local businesses. Construction will be completed in November.

Construction for DeSiard Plaza, Monroe, La., which will be anchored by a 60,000-sq.-ft. T.G. & Y., will begin this May for a March 1982 opening.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THERMOGRIP
USM Corp.
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ELECTRIC GLUE GUNS
The "Counter Move" merchandisers are yours free during Bostik's big Spring and Fall promotions. And we support you in the field, with 267 million "sales calls"...267 million reasons to buy these tools. National ads in major do-it-yourself magazines, and entertaining, product-in-action TV commercials in markets across the country, add up to 267 million ad impressions.
Be ready when customers come calling. Display both counter-top merchandisers and count the added sales.
To join Operation "Counter Move," contact your Bostik representative. Or write Bostik Consumer Division, 4408 Pottsville Pike, Reading, PA 19605.
THERMOGRIP ELECTRIC GLUE GUN
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Bostik Consumer Division

DIY Census Section

Bradlees

(Continued from page 20)

dollars and store space for development of other lines such as ceiling fans, knockdown plastic and wood furniture, a new wallpaper section and other tie-in merchandise. Selection in most of these areas has focused on offering the customer both a decorative and functional purpose.

In ceiling fans, for instance, Bradlees brought in three units that Peckham describes as neither very high-end nor very low-end. At an initial markup of 40%, the price points fall between $100 and $200, with a promotional opening item that "offers an excellent value to the customer," he said. This wooden-blade fan will be the major promotional item within the category, where Peckham expects heavy price wars to develop.

Peckham explained that the shift of emphasis from paneling to home decor was in response to customer resistance to the high cost of a paneling project. "The pressure is on everybody's disposable income," he said. "People are still spending money on remodeling, but sales strength will come from areas that offer the customer a less expensive way to fix up their homes."

One of the home decor focal points is in wallpaper, a new market for Bradlees, planned for a fall introduction. The program is built around brand names, and is designed to be strictly self-service, avoiding the special-order business. Wallpaper rolls will be stocked on gravity feed racks, with selections at $5-$10 per single roll. In addition, wall coverings will be augmented by DuPont's Flair Squares, priced at $4.99.

Another area targeted for expansion is decorative plastic and wooden KD furniture. Bradlees will upgrade with five new plastic cane-look items and five functional wooden pieces—bookcases and other storage organizers. Another area—colored wire closet organizers, priced up to $35 (five new items)—is already in the stores, and "generating a surprising amount of sales growth," Peckham added.

"There has been a solid upgrading in resilient tiles over the past three years," Peckham said. "We're almost completely out of our vinyl-asbestos, low-end styles. We use to carry 9-10 sku's in that area three years ago. Now we only run with one or two styles. Eighty-five percent of our floor tile business comes out of the no-wax, highly decorative tiles."

Higher-Priced Items Up Hardware Dept.'s Productivity

	1970	1975	1976	1977	1978	1979	1980	5-year change	10-year change	'80 vs. '79
Dept. Size (sq. ft.)	2,200	3,225	4,400	4,450	3,195	3,210	3,215	− 0.3%	− 46.1%	+ 0.2%
Annual Turns	2.7	3.5	3.5	3.3	3.1	3.0	2.9	− 17.1%	+ 7.4%	− 3.3%
Volume Per Sq. Ft.	—	$82.00	$113.63	$114.08	$122.47	$132.91	$143.00	+ 74.4%	—	+ 7.6%
Initial Markup	38%	40%	40%	41%	39%	41%	42%	+ 5.0%	+ 10.5%	+ 2.4%
Gross Margin	35%	35%	35%	35%	34%	36%	37%	+ 5.7%	+ 5.7%	+ 2.7%
Company-Run	88%	92%	94%	92%	92%	94%	94%	+ 2.2%	+ 6.8%	NC

NC—no change

Source: DSN Research

Inventories of higher-priced goods such as trade-up power tools and accessories (for consumers gaining in DIY expertise) are giving discounters better margins and sales-per-square-foot results: in 1980, a 2.7% increase in margins and a 7.6% increase in sales per square foot over 1979, and 16.8% and 8.8% increases over 1978. Turns, however, registered a 3.3% dip over the one-year period and a 6.5% drop since 1978.

Well, are you?

Without Shell Fire & Ice® Motor Oil in the middle, your motor oil lineup simply isn't in its best shape to compete in the 1981 market. Because when it comes to motor oil, the middle of the line is where the profits are.

Every market has its best seller. Stock it. Maybe a premium-priced exotic, too. And for those who shop only price, you've got to have a low-end label.

But don't kid yourself. The movement and the money are in the middle. In fact as much as 65 to 70 percent of your profit and volume. Which is why you should fill this valuable space with Shell Fire & Ice. It's got the brand name, product attributes, competitive wholesale price, performance and promotional support you need for your day-in, day-out "bread and butter" motor oil.

To find out how you can get to the top through the middle, contact your Shell representative.

Accessories

(Continued from page 3)

A developing department at Grand Central is taking space from the junior apparel area and getting updated fixtures. It has grown in the last two years from one spread on two 8-ft. racks to a 42-ft. run with waterfall extensions and wall space, complemented by chrome fixtures on the aisle.

Sales for the chainwide assortment will increase 80% this year, the buyer said, adding that canvas handbag sales tripled after the mix was skewed to more middle-of-the-road price points.

From the $9.99-$21.99 range, the focus has shifted to emphasize the $5.99-$11.99 range, with most volume in the up-to-$7.99 price points—the level to which most discounters are upgrading their average ticket.

Handbags, a separate department for two years, has been upgraded this year from $4.99 to the $5.99-$8.99 range in response to increased sales, at S. E. Nichols.

New handbag fixtures will be installed in all stores by next month.

New chrome umbrella stands already in 25 larger stores and planned for the others should propel accessories business to handbag levels. The new look replaces a 5-ft. by 5-ft. table, and includes updated fixtures and 30 ft. of table space.

In addition to beefing up basics like knitwear, which represents over one-half of the department's sales in its three-month season, the buyer said accessories will become more promotional.

Leotards, for example, were recently expanded to include one queen size and a line of fashion colors in regular sizes. In the fashion area, the buyer hopes to exploit the Western theme, traditionally successful in straw hats, with other items.

As departments develop in-stock positions with basic items to support more testing of new items, going promotional is less important.

"We already do a tremendous job with the $6.57 and $7.57 canvas bags, even when we don't promote them," the Gee Bee buyer explained, adding that such numbers sell out at regular price before scheduled ads on them break.

So now Gee Bee is testing tote bags as a price trade-up.

Imports

(Continued from page 1)

An executive for the chain said imported jackstands were brought in last year to replace domestically produced ones, raising the margin from 33% to 45%. Margins on an imported line of shoe skates increased from 35% to 46% on approximately 70,000 pairs sold at $29.99—providing the additional $250,000 gross margin mentioned earlier.

Home furnishings will also be a key area for the introduction of imports in the coming year (a team of Zodys buyers will leave for the Orient to look for furniture in April). Toys, trim-a-tree and apparel are also areas where expansion of imports is probable throughout the industry.

Executives with Zodys, Hills, Jamesway and others said the nine-month lead time in ordering apparel makes it unlikely that fashion apparel will ever be imported.

But, imported bomber jackets, jeans and flannel shirts are all likely to see sales gains in the coming year.

"It's almost impossible to anticipate that far in advance, but we'll be bringing in more imports of items that are basic year after year," explained a Hills executive.

Surprisingly, consumer electronics—a high-ticket area where increased margins would be particularly welcome—will remain in the hands of jobbers for the time to come.

A delivery failure rate as low as 6% to 8% would eliminate any financial advantage of direct importing, and most discounters surveyed said jobbers have shown greater flexibility in getting foreign manufacturers to take back faulty merchandise.

Still In Question

The fear of getting stuck with poor quality merchandise is causing some discounters to still hold off on establishing their own import programs.

James Doss, Heck's merchandising vice president, said the company considered starting its own import program in 1979, and even sent a team of buyers to the Orient "to see what was there."

Doss said the plans for an import program were scrubbed "because we were disappointed in what we saw in terms of quality."

Concern over quality was also an important factor in ALCO's decision not to begin an importing program. Dale Morris, hard lines merchandise manager, said one example was a $7.88 imported jewelry box the chain made refunds on because of poor quality.

The jobber offered a full refund for the product. Morris pointed out that if the chain imported the item itself, it would have been forced to eat the loss.

Some chains also said they were holding back because of longer lead times in ordering merchandise and difficulties in scheduling promotions of items on which delivery dates are uncertain.

Al Johnson, Wal-Mart senior vice president, said however, that quality has generally not been a problem on goods brought in under the chain's import program, and that in many cases, with smart shopping, imported goods can be found that exceed domestic ones in quality.

The Zodys executive said 45,000 bicycles the chain imported last year were "superb" in quality. He said the worst problem the chain has had with an Oriental firm was poor packaging of 3,000 $40 lounge chairs brought in last year.

"They were supposed to box the chairs individually, and instead they put six each in a master box," the executive said, adding, "but the chairs were the finest ones you could find anyplace."

Import Panels Set

NEW YORK—Lebhar-Friedman's Center for Retail Management will begin holding a series of seminars on importing this month.

The two-day meetings, "Importing, a Profit Tool for Retailers," will be held in San Francisco on March 30-31; Atlanta, April 27-28; Chicago, May 11-12, and New York, June 15-16.

Irwin Segan, vice president and treasurer, Merchants Buying Syndicate, will conduct the meetings.

Contact Sylvia Vogelman, seminar manager, at 212-371-9400 for more information.

Wal-Mart

(Continued from page 1)

Walton's chain experience the same growth slowdown that is affecting K mart now, or has Walton guarded against that? What will happen to Wal-Mart someday without Walton, who still runs the chain with his own brand of personal management?

These and other questions will be answered in the DSN Wal-Mart issue. Specific emphasis will be placed on *how* Wal-Mart does what it does so well. Is it the planning and management that precede each move, the execution and control that are maintained thereafter, or some magic combination of the two? How does Wal-Mart maintain its double-digit same-store growth, and can that growth be sustained as the chain moves outward from its center?

Agreement Calls For Caldor to Be ADG Subsidiary

NEW YORK—Caldor will become a subsidiary of Associated Dry Goods under a definitive acquisition agreement reached by Carl Bennett, president and chairman of the board of Caldor, and William P. Arnold, chairman and chief executive officer of ADG.

As announced earlier, the proposed transaction will be a taxable one, pursuant to which holders of Caldor's 8.5 million outstanding shares will receive in the aggregate approximately $135 million cash plus 2.8 million shares of a new series of convertible preferred ADG stock and $38.4 million principal amount of five-year, nontransferable installment notes.

Each share of the preferred stock will have a par value of $50 and will be convertible into 1.6 shares of ADG common stock. The installment notes will be issued and guaranteed by a wholly owned subsidiary of ADG.

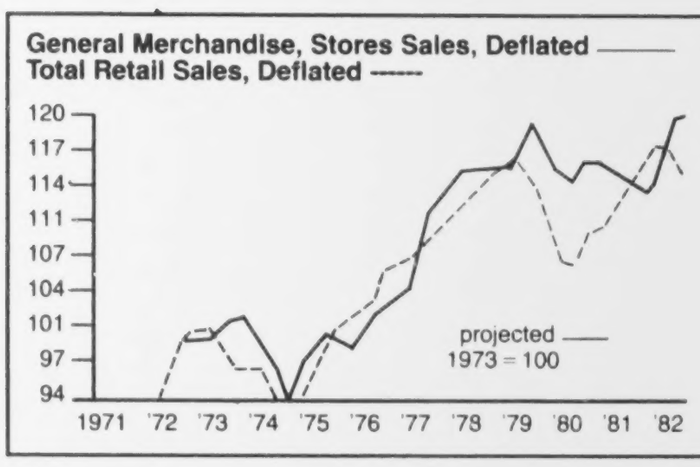
The notes will be designed to qualify for installment sales treatment and will not initially be issued in a principal amount of less than $25,000.

Cash in the amount of $15.89 per each outstanding Caldor share will be paid. Installment notes will be issued only to stockholders who so elect. If elections for more than about $38.4 million in aggregate principal amount of the installment notes are made, the excess will be treated as an election to receive shares of preferred stock. If elections are for less than $38.4 million, the cash payable to Caldor stockholders will be increased for all stockholders, and the amount of notes and preferred stock issuable with respect to each share will be proportionately decreased.

Consummation of the transaction is subject to certain conditions, including receipt of required approvals by stockholders of Caldor and ADG.

L/F Econocycle

GM/Discounters to outpace retailing



General Merchandise/Discount

Sales Change By Quarter

	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81** 1Q %	'81** 2Q %	'81** 3Q %	'81** 4Q %	12-Month % Change 1979 %	1980 %	1981 %
Sales include Inflation	8.9	4.8	4.4	5.2	5.5	8.7	7.1	4.4	9	6	6
Real sales (Deflated)*	1.7	−2.4	−3.3	−2.6	−1.2	2.2	1.0	−1.7	3	−2	—

*Base = Nov. 1980 Sales
**Projected

Two months ago, the L/F Econocycle composite on household spending (chart below) began to trace a grassroots recovery in retail sales. (Through the 70's, this index has, in fact, accurately led and "mirrored" the major twists and turns in retail sales performance.)

This month, despite a recent barrage of interest rate hikes, retail sales are continuing to show a strong "kick" and appear to be heading for a sharp improvement in the second quarter.

Household spending as a key index, the trendlines show, is already moving at a hotter pace than retail sales. As in 1972-73, household spending is projected to drive above sales levels on the index-scale for the first time since mid-1974. (But the trend to watch is later in the year when the curve may start nosing downward again.)

Over the past three years, as the chart above indicates, GM/discount sales have been outdistancing general retail activity. This trend and gap should hold through most of 1981, it appears.

The L/F Econocycle projection for discount/general merchandise outlets is for real sales gains in the 2% range for the second quarter and more lift to 3%-plus in the third period, despite the (expectedly) sub-par start on the year.

Some chains entered the new year with sales gains in the higher ranges—31% at Wal-Mart (12% same-store), and 18.5% at Caldor. But many chains had single-digit increases, *not* adjusted for inflation or additional selling space.

K mart's 11.5% gain for its just-ended fiscal year, for example, follows a year in which the chain added 173 stores—an 8.4% rise.

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	8.9	10.5	8.6	7.6	12.0	9.3	5.7	8.9	8.2
	2Q	1.6	10.0	7.9	8.9	10.9	1.4	6.5	4.8	4.5
	3Q	2.9	11.6	7.4	9.2	10.1	0.4	4.9	4.4	3.4
	4Q	6.2	10.3	4.8	2.7	13.3	5.2	6.4	5.2	5.5
1981	1Q**	5.7	10.0	3.9	1.2	9.8	6.1	5.7	5.5	5.7
	2Q**	13.3	9.9	7.4	14.3	10.5	13.6	7.8	8.7	9.5
	3Q**	9.4	8.4	10.0	5.4	10.8	11.8	8.3	7.1	8.4
	4Q**	9.5	8.5	8.8	2.9	8.2	10.7	8.5	4.4	6.6
% change 12 mos.	1979	12.0	11.0	9.0	14.0	9.0	14.0	9.0	9.0	10.0
	1980	4.0	10.0	7.0	3.0	11.0	3.0	6.0	6.0	5.0
	1981**	9.0	9.0	7.0	4.0	10.0	10.0	7.0	6.0	7.0

Real Sales (Deflated)*
% Change By Quarter

1980	1Q	1.7	5.3	1.5	2.1	3.9	3.8	1.0	1.7	2.0
	2Q	11.0	4.6	1.4	17.8	1.8	4.4	2.3	−2.3	1.8
	3Q	7.0	2.3	1.7	18.3	0.4	7.1	0.4	−3.3	3.3
	4Q	3.8	0.8	3.9	12.0	3.3	1.3	1.5	−2.6	1.4
1981	1Q**	2.0	2.7	3.9	6.4	1.4	0.2	1.5	−1.2	0.4
	2Q**	6.3	3.1	1.1	6.8	4.1	7.1	2.6	2.2	3.3
	3Q**	3.9	0.8	1.2	1.9	6.2	5.8	3.1	1.0	2.5
	4Q**	5.3	2.4	0.9	9.9	5.1	4.6	3.9	−1.7	0.9
% change 12 mos.	1979	2.0	1.0	2.0	5.0	2.0	8.0	6.0	3.0	4.0
	1980	6.0	3.0	2.0	12.0	2.0	2.0	1.0	−2.0	1.0
	1981**	3.0	1.0	1.0	3.0	4.0	4.0	3.0	—	1.0

*Base = Nov. 1980 Sales
**Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

Appliance Energy Standards Kaput?

WASHINGTON—The proposed energy efficiency standards for major household appliances, opposed by the appliance industry, will not be issued until a thorough review, the Reagan Administration announced. It is likely that the standards, however, may never by issued following the anti-regulation mood of the Administration.

The 1980 proposal would have required manufacturers to redesign by 1986 virtually all existing models of the appliances.

Manufacturers had complained that many small firms would have been forced out of business and customers would have had to pay higher prices.

Regarding another energy conservation measure, the Reagan Administration has withdrawn standby programs which involved a compressed workweek, fuel rationing, vehicle use stickers, and employer-based commuter and travel measures regarding working hours and transit subsidies.